

Summary Outline of Testimony of Donald Vial
In Support of Governor's Reorganization Plan Establishing
The California Labor and Workforce Development Agency
Before "Little Hoover Commission, March 19, 2002

My testimony will draw on my experience as the Director of the California Department of Industrial Relations and a member of Governor Edmund G. Brown Jr.'s Cabinet, during the years 1975 to 1982, inclusive, and from my background in the field of industrial relations and labor economics. I will speak to five points:

1. The frustration of functioning as a de facto Secretary of Labor without the structure of a labor agency that tracks the basic framework of an integrated labor department, as in the federal Department of Labor

California has a GDP that would make it the sixth largest economy in the world, but as pointed out in the Agency reorganization plan, there is no cohesive framework for the functioning of labor agencies that are vital to advancing the welfare of working people in a vibrant industrial state. Upon leaving the DIR, my highest priority and recommendation to a successor governor was to establish an agency that seeks to integrate functional relationships along the lines proposed in the reorganization plan before the Commission.

My focus then, as it is now, was on bringing the employment security, labor exchange, skills development, labor law/standards enforcement, research, and related programs and services of the two key departments— EDD and DIR—into an agency framework that advances public policy integration of essential programs and services. State implementation of the Workforce Investment Act has added to the urgency of taking action.

During the Brown Administration, DIR was made a cabinet level department while EDD remained a Department within an Agency having cabinet status. Yet, the Governor expected the head of DIR to function as a "de facto" Secretary of Labor. For example, he looked to me to be the innovator in developing job training and employment programs that would link classroom training more effectively to structured training in the course of employment—essentially broadening the base of the apprenticeship model. We did manage to work out some new models and strategies, but it was at times a coordinating "nightmare" to get things done without the policy authority to integrate the work of agencies scattered in what was essentially a "dysfunctional" labor department.

2. The Proposed Agency as a Framework for Integrating Functions; Not as a Determination of How Programs and Policies are to be Integrated

This is important to bear in mind, because reorganization proposals often trigger "turf" and budgetary issues that reflect concerns and speculation about how similar and/or overlapping programs might be integrated. Nowhere is this more evident than when it comes to rationalizing and improving the effectiveness of skills development and job training programs. In my view, these concerns most often have the "cart before the horse".

Speculation and concerns about implementation should not stand in the way of rational reorganization of government functions to provide more effective policy and program options for legislative and executive leadership. In my view, bureaucracies often get a “bum rap” for being too program focused and “budget” conscious when: (a) they are confronted with changes in the structure of the labor force and employment affecting their programs; and (b) they don’t have access to a public policy framework that gives them some assurance that rational outcomes can be reached without engaging in “turf warfare”.

3. Structural Changes in the Labor Force and in Employment Demands Functional Integration of Labor and Employment Oriented Programs

This is evident as the State goes through yet another cycle of restructuring of skills development, job training and employment programs (the complexity of which are indicated in the Administration’s budget summary “Improving California’s Workforce Development System”). What is less evident, perhaps, are the impacts of labor force and employment structural changes on employment security programs such as the State’s Unemployment Insurance program.

My reference here is to the fact that the UI program reaches only about thirty percent of the jobless. From my perspective, the kind of unemployment the program was designed to address falls far short of addressing employment security problems being encountered in the operation of today’s labor markets. Where piecemeal modifications to fill coverage gaps have fallen short in addressing the core problem, the proposed Agency advances new opportunities to do so.

The UI program—its coverage, its eligibility, and financing—is essentially geared to the concept of cyclical unemployment where the temporarily unemployed in an economic downturn return to their former employment or industry of labor market attachment in the upturn. Today, unemployment and its duration are less dependent on such attachments than on opportunities for continuous upgrading of skills and job training that enhances labor mobility and employment options in changing labor markets. Thus, we can see why the State’s Employment Training Panel (using UI funds) and the Workforce Investment Act have evolved. However, there are still incentive gaps to be addressed. The basic financing system for the UI program, for example, has no built-in incentives for covered employers to invest in ongoing training and upgrading of skills of frontline workers. As training options and opportunities are advanced, there remain limitations on what can be achieved without a more pervasive culture on the part of business and industry to invest in skills development and training, particularly in on-going structured training in the course of employment that is linked to classroom instruction.

My purpose here is not to advance a particular policy option, but it certainly is in the public interest to have in place an Agency framework that would facilitate consideration of the kind of employment security reform I am suggesting.

4. Needed Enhancement of Linkages of Pro-active Programs like the Labor Exchange Operations of EDD and the Restructured Training Programs under WIA with DIR Enforcement and Standards Setting Programs

A division of the functions between “good guys” and the “bad guys” is too often the business and industry perspective of how a dysfunctional labor department operates. Establishing the

California Labor and Workforce Development Agency should make it possible to begin erasing this false dichotomy. From my perspective, labor law and health and safety enforcement are viewed in the pejorative when pro-active incentives are not integrated with solid enforcement programs.

Higher rates of OSHA and labor standards violations are often associated with the unskilled and lower-skilled occupations where workplace training frequently gets short shrift. Where targeted enforcement programs become necessary, they are most effective when they are combined pro-actively with employer-based training that increases skills and productivity and provides a more profitable base for respecting labor standards and OSHA requirements. It should be noted that the registered apprenticeship programs in DIR build labor law compliance and safety standards into the apprenticeship training of a journey-person. Not surprisingly, it is in the “underground” economy where skills are underdeveloped that violations of the law and health and safety standards are greatest and more difficult to enforce.

I would venture to say that one of the quickest routes to sustainable labor law enforcement would be the integration of WIA training options with the networking of community-based organizations and institutions as infrastructure that is focused on developing and certifying entry skills for career ladder training. This is the route that can scale-up options for moving “marginalized” working people from low-paid secondary labor markets into higher-paid primary labor markets where labor laws and standards have greater respect.

Job training programs, in my view, have barely scratched the surface of these kinds of community-based linkages, which would open up new options for schools and community colleges to become an integral part of an expanded infrastructure base for entry skills development and certification, as well as provision of career training. Those worried about the loss of funding under WIA should recognize that a new Labor and Workforce Development Agency will have the capacity and capability to vastly expand training and employment programs which truly link classroom education and training to structured training on the job in the course of employment. There is more to be gained from this direction of training than from fighting to hold on to funded classroom programs that forego expansion opportunities when they are more effectively linked to structured training on the job.

5. Untapped Areas of Research that would Focus on the Impact of the Growing Economic and Social Stratification of the State’s Population and on the Status of Working People

The research functions of EDD and DIR appear to have gone their separate ways without much thought being given to how the combined capacity of the respective departmental research units might be integrated. In my view, there should be a sharper focus on research (expanding policy options) that addresses, for example, equity issues in the operation of labor markets. From a policy perspective affecting legislative and executive decision-making, much could be gained from an on-going research project on the status of working people in California, with particular attention to globalization issues associated with market-driven growth, creativity, and innovation. Agency research on the “applied side” in these areas might well develop data bases needed to facilitate University-based analytical research that is more sharply focused on the distributive aspects of economic policy in a major state like California.

I view the proposed Agency as being in a position to establish an on-going “liaison” relationship with University researchers to advance the quality and usefulness of labor market research in decision-making affecting the conditions of life and labor of frontline workers.